



May 28, 2014

National Credit Union Administration
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Mr. Poliquin:

On February 27, 2014, NCUA issued a Federal Register Vol.79, No. 39, asking for comments from credit unions by May 28, 2014. The proposed rule requires us to have at least 10.5% net worth to be considered well capitalized. We came out at 10.8% under the new calculation.

As of our March 31, 2014, our net worth ratio was 8.63% (anything over 7.00% is the best category of well capitalized). Our current risk-based net worth requirement is 6.84%. Under Part 702 of the NCUA Rules and Regulation or Prompt Corrective Action, we must also meet the 6.84% to be well capitalized. For example, a credit union with 7.5% net worth is not well capitalized if their RBNW requirement was 7.6%. Any credit union with more than 6% RBNW requirement is considered a “complex” credit union. The formula can be found on page 12 of our NCUA call report.

The new formula for net worth it adds and subtracts some of the balance sheet items. Under the NCUA calculator for the proposed risk-based capital rule our net worth was adjusted from \$11,822,544 to \$11,232,397 because it added back our Allowance for Loan Loss account and deleted our non-conforming investments. It also deleted and added some of our assets and reduced them from \$138,811,751 to \$103,992,017 to arrive at our risk-weighted asset amount and a 10.8% net worth ratio under the proposed regulations.

Under the old calculation we were way above the well-capitalized threshold but now we just barely made it. Even though we only have \$2.5 million in MBLs (mostly residential single family homes), and \$13.5 million in fixed rate first-lien mortgages, \$59,003 in mortgage-back



securities, all other investments are Federal Agency Securities and CDs. Our delinquency ratio is only 0.06% and we only have \$62,613 in foreclosed and repossessed assets.

As a former 21-year NCUA regulator, I feel the ratio is not fair and will penalized safe and sound credit unions by preventing them from taking even moderate risk in order to generate adequate earnings.

Sincerely

Richard E. Holloway

CEO